

## Japanese Authorities Continue Investigation Into \$534M Cryptocurrency Heist, Raid Coincheck

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An error page is displayed on cryptocurrency exchange Coincheck Inc.'s Bitcoin Wallet app in an arranged photograph in Kawasaki, Kanagawa Prefecture, Japan, on Monday, Jan. 29, 2018. (Photographer: Akio Kon/Bloomberg)

Japan's Financial Services Agency (FSA) announced that they had raided the offices of cryptocurrency exchange Coincheck in Tokyo's Shibuya ward on Friday, February 2. They also ordered all virtual currency exchanges to fully report on their risk management policies and operations immediately. Finance Minister Taro Aso commented publicly that the onsite inspections were conducted "to ensure that the assets of Coincheck users are sufficiently protected."

A week ago, on January 26, Coincheck announced that they had been hacked and lost the equivalent of \$534 million worth of the cryptocurrency, NEM. The Financial Services Agency issued Coincheck "a business

improvement order" on January 29, and ordered a full report on the cause of the hacking and the firm's plan to pay back customers and prevent further losses by February 13. The onsite inspection today precedes that deadline. Japan's TBS News reported that starting around 8am, FSA inspectors carried out several boxes of computers, documents and other materials from the Coincheck offices. The FSA said the inspection was done to examine financial stability at Coincheck and the firm's ability to comply with the FSA's business improvement order.

### ***More on Forbes: Japan Cracks Down On Cryptocurrency Exchanges After \$534M Heist***

The FSA has approved 16 virtual currency exchanges to operate in Japan; Coincheck was not one of them. Last year the firm applied to become a registered exchange but the FSA did not give them approval, telling them there were flaws in their security system. At the Coincheck press conference on January 26, executives admitted that they had kept the stolen NEM in an internet connected "hot wallet" rather than a much more secure offline platform called a "cold wallet." The exchange also did not use a standard layer of security known as a multi-signature system.

### **Public concern**

Coincheck announced last Sunday that they would pay back all the NEM users who lost funds, which they estimate will cost them the equivalent of \$430 million. They have not specified a timeline or where they will find the funds. The firm has reportedly resumed some operations in other currencies. However, the general public is still concerned that the firm will not be able to make good on its promises.

A group of IT speciality lawyers yesterday launched "The Countermeasures For The Victims Of Coincheck Legal Team (コインチェック被害者対策弁護団)." On their website, they announced that they were preparing to sue Coincheck in the near future on behalf of NEM account holders who had suffered losses. The group states that, "This hacking incident, makes us concerned that the future of virtual currency in Japan may be closed down. We are hoping to both relieve those who suffered losses and ensure the creation of appropriate regulations to handle virtual currency." The representative of the legal team was not available to speak at press time.

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